
Accounting for Contingency Operations: The Role of Defense Finance and Accounting Service Denver

By

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From United Nations operations in Somalia and Bosnia to the search for John F. Kennedy, Jr.'s plane, the U.S. Department of Defense is actively involved in peacekeeping, humanitarian assistance, and disaster relief operations throughout the world. Under the general title of "contingency operations", these activities have financial aspects that require direct support from the Denver Center, as well as other offices in the Defense Finance and Accounting Service (DFAS) network.

On October 1, 1994, the International Programs Branch within the Directorate of Security Assistance (DFAS-DE/ICCI), became the centralized cost consolidation, billing, collection, and reimbursement activity for contingency operations within the DoD. Prior to consolidation in Denver, the financial requirements associated with contingency operations were processed independently by the various DoD components and agencies involved. Then, as the variety of contingency operations and the level of support provided by the DoD increased, the need to consolidate and organize the financial aspects of this support became evident. Even now, five years after inception, the consolidation and organization of financial support for contingency operations within DFAS-DE/ICCI continues. Some examples of this support include consolidated cost reporting; billings to foreign governments and international organizations; Economy Act billings to other agencies within the U.S. government; Department of State foreign military sales (FMS); and non-combatant evacuation operations.

To consolidate the cost of contingency operations at the DoD level, certified cost reports are submitted by the DoD Components to DFAS-DE/ICCI on a monthly basis. In FY1999, the cost reporting process was supported by the input of fifteen DoD components reporting on sixteen contingency operations. The reportable operations in FY1999 included our involvement in Kosovo, Iraq, and Bosnia; humanitarian assistance to countries in South America following Hurricane Mitch; and peacekeeping operations in East Timor. Cost reports are received from major components, such as the Air Force and Army, as well as some of the smaller entities within the DoD, such as the Armed Forces Information Service, the Defense Commissary Agency, and the Defense Threat Reduction Agency. All are combined into a single report that provides detailed cost data by contingency operation, appropriation, and DoD Component. Once prepared, the report is distributed to the Office of the Under Secretary of Defense (C), Office of the Under Secretary of Defense (P&R), the Chairman of the Joint Chiefs of Staff, the component comptrollers, the Departments of State and Commerce, and other offices within the DoD.

The costs reported each month by DFAS-DE/ICCI can be separated into two basic areas: reimbursable and non-reimbursable support. If the support is provided on a reimbursable basis, the customer, whether foreign or domestic, is responsible for reimbursing the DoD for costs incurred. If the support is provided on a non-reimbursable basis, the DoD must initially finance the operation. Normally, DoD Components provide support to a contingency operation using

funds appropriated for other purposes. Since every non-reimbursable dollar spent on contingency operations takes a dollar away from U.S. military forces, the accurate and timely reporting of costs by the various component comptrollers is essential. By consolidating all contingency operations costs in a single reference, the cost report provides a means for the DoD to request supplemental funding from Congress, as well as to provide detailed information on how appropriated funds are spent.

For the reimbursable portion of contingency operations, DFAS-DE/ICCI acts as the billing and collection agent for the DoD. The first of two reimbursable programs is the billing of foreign governments and international organizations. Based on the guidelines provided in Section 607 of the *Foreign Assistance Act* (FAA), the DoD recoups all costs incurred in the support of these various operations, with our major customer being the United Nations. Since 1994, the DoD has provided support to over forty U.N. peacekeeping and humanitarian operations. Cyprus, Lebanon, Iraq, Angola, El Salvador, Somalia, Liberia, Haiti, Rwanda, Bosnia, Kosovo, East Timor; the list of these operations includes some of the toughest spots in the world. Based on requests from the U.N., the DoD has provided its support with supplies, manpower, and expertise. The costs of this support are outlined in Letters of Assist issued and administered by the Department of Peacekeeping Operations at the U.N. Headquarters in New York. In conjunction with the U.S. mission to the U.N., DFAS-DE/ICCI processes and accounts for all DoD billings to the U.N.. In addition to the U.N., the DoD has also entered into Section 607, *Agreements with Foreign Governments*. A recent example is the Military Observer Mission in Ecuador and Peru. Known as Operation Safe Border, the U.S. Air Force, Army, and Special Operations Command provided support along the border of Ecuador and Peru in order to prevent armed conflict in the region. In accordance with the agreement, DFAS-DE/ICCI billed both countries monthly based on documentation received and consolidated from the DoD Components involved.

The second reimbursable program administered by DFAS-DE/ICCI is the billing of other agencies within the U.S. government. With an existing structure established to consolidate the odd and varied support that is provided by the DoD on contingency operations, the Office of the Under Secretary of Defense (C) has recently extended the responsibilities of DFAS-DE/ICCI to include these Economy Act billings as well. Support to the State Department for the embassy bombing response in Kenya and in the aftermath of avalanches in Austria; support to the Justice Department for migrant interdiction from Cuba; support to the Coast Guard for salvage operations off Martha's Vineyard, these are just a few examples of the support requested of the DoD. In accordance with 31 U.S.C. 1535, *Economy Act*, which states that specific costs incurred by the DoD in providing assistance are billable and reimbursable, DFAS-DE/ICCI consolidates and processes the DoD's claims with these agencies.

In addition to *Economy Act* billings, DFAS-DE/I has managed the billing and collection of two other State Department programs since 1994. The first is the foreign military sales program between the DoD and the Department of State. Using the capabilities of the FMS system, and in accordance with the requirements of Section 632 of the FAA, the DoD provides State with articles and services destined for foreign governments. In the form of payment, the DoS receives funding from Congress to execute specific foreign policy objectives, and these funds are in turn used to reimburse the DoD for providing the support required by these objectives. The second reimbursable billing program with State Department involves non-combatant evacuation operations. Based on a determination by State, U.S. citizens are evacuated from a foreign country when hostile situations arise. The DoD is called upon to provide transportation, in-transit accommodation, and force protection as required. Within the last four years, the DoD has assisted

in the evacuation of U.S. citizens from Eritrea, Albania, Sierre Leone, and Liberia. Once again, all support is provided on a reimbursable basis, with the billing, collection, accounting, and reporting duties being performed by DFAS-DE/ICCI.

As a reference, Chapter 23, Volume 12, of the *DoD Financial Management Regulation* contains the primary guidance for managing the financial aspects of contingency operations. Due to the ever-changing requirements that the DoD faces in supporting contingency operations, Chapter 23 is currently under revision once again. Yet however diverse the requirements, however odd the situation, DFAS-DE/ICCI continues to grow and adapt while providing superior service to all levels of the DoD.

About the Author

David Hnat is currently a systems accountant in the Directorate of Security Assistance, Defense Finance and Accounting Service - Denver Center. He has been in the FMS community for about eleven years, with the last five being dedicated to the United Nations and other contingency operations. His previous assignments have included working with the SHAPE/NATO/NAMSA/NACISA, AWACS, F-16 and SDAF.